

# Statistics in focus

## POPULATION AND SOCIAL CONDITIONS

THEME 3 – 7/1999

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Main update of a Eurostat report entitled "Minimum Wages, 1997 – A comparative study"



Manuscript completed on: 04/1999  
ISSN 1024-4352  
Catalogue number: CA-NK-99-007-EN-C  
Price in Luxembourg per single copy  
(excl. VAT): EUR 6

# MINIMUM WAGES IN THE EUROPEAN UNION, 1999 Now applied in 8 countries

Ana Nobre

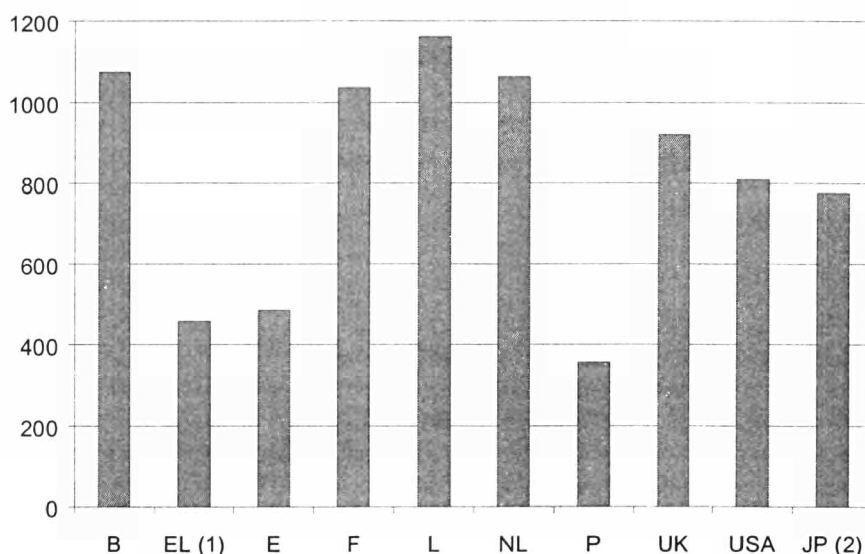
In 8 Member States of the European Union (Belgium, Spain, Greece, France, Luxembourg, the Netherlands, Portugal as well as the United Kingdom since 1<sup>st</sup> April 1999) collective bargaining is limited by a legal national minimum wage. In Ireland the government is committed, as a priority, to the introduction of a minimum wage in the year 2000.

### The level of statutory minimum wages ranges from 357 to 1162 euro per month in 1999

In Luxembourg, Belgium, France, the Netherlands and the United Kingdom minimum wages expressed on a gross monthly basis are around 1000 euro per month in 1999 while in the remaining countries (Greece, Spain and Portugal) they are half or even less of this amount. The levels in United States and Japan (Figure 1 and Table 1) are 809 and 776 euro respectively.

The figures given here are gross, that is before deduction of income tax and social security. As the levies vary from one country to another, this therefore has an effect on the actual take home pay between Member States.

Figure 1: Monthly Minimum Wages in euro, 1999



(<sup>1</sup>) Data are for non-manual workers

(<sup>2</sup>) 1998

**Table 1: Monthly minimum wages, 1999**

	National Currency	euro
Belgique/België	43 343	1 074
Elláda ( <sup>1</sup> )	147 517	458
España	80 815	486
France	6 797	1 036
Luxembourg	46 878	1 162
Nederland	2 345	1 064
Portugal	71 517	357
United Kingdom	634	920
United States	906	809
Japan ( <sup>2</sup> )	113 674	776

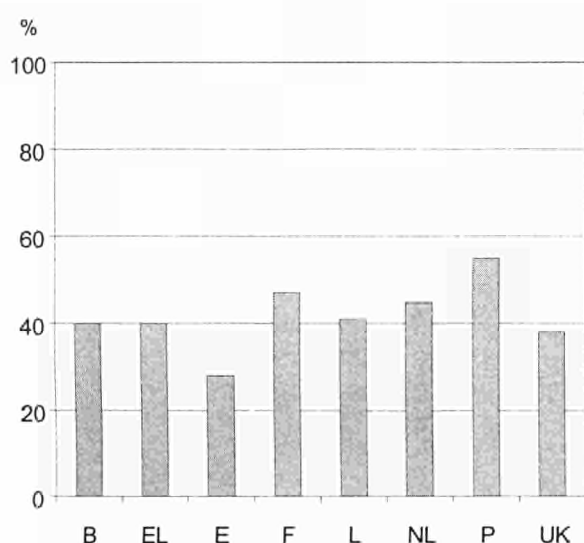
(<sup>1</sup>) Data are for non-manual workers

(<sup>2</sup>) 1998

### Statutory minimum wage represents between 28% and 55% of the average salary in 1997

In 1997, depending on the countries, the national minimum wage represents between 28% and 55% of the average gross earnings of an employee (manual and non-manual workers together) in manufacturing industry. This proportion was highest in Portugal and France where it stood at 55% and 47% respectively and the lowest in Spain at 28%. In both United States and Japan, the corresponding figure is around 34% of the average gross earnings of a manual worker in industry.

**Figure 2: Minimum monthly wages as a proportion of average earnings (<sup>1</sup>), 1997**



(<sup>1</sup>) Employees of manufacturing industries

### Minimum wages are earned by more than 10% in France and Luxembourg

The number of employees earning the minimum wage is available for six of the eight European Union countries concerned. In 1998 about 14.5% of workers in Luxembourg received minimum wages, 7.9% in Portugal and 3.4% in Spain. In 1996, in France, the workers remunerated at hourly "SMIC" level represented 11% and in the Netherlands for 1997 the share of employees earning the minimum wage was 2.6%. Generally, twice as many women as men earned the minimum wage. Latest estimates carried out by the Office of National Statistics of UK suggest that around 1.9 million employees (8.3%) earned less than the minimum wage at 1998 prices. In the United States, workers paid hourly rates with earnings at or below the prevailing Federal minimum wage were accounting for 6.2% in 1998.

### The systems differ from country to country

In Spain, France, Luxembourg, the Netherlands, Portugal and the United Kingdom, a national minimum wage is fixed at an hourly, weekly or monthly rate by legislation, in most cases after consultation with the social partners, and this minimum is enforced by law. Belgium uses a similar system whereby an average minimum monthly wage is fixed by a central collective agreement which is regarded as applicable to all industries. In Greece a general minimum wage is agreed by negotiation at national level and a distinction is made between manual and non-manual workers.

The statutory minimum wage usually applies to all employees in the economy and all occupations, but may be modified to take into account age, length of service, skills, the physical and mental capabilities of the employee or the economic conditions affecting the firm. The laws governing such systems also contain mechanisms to review the minima, often as a result of tripartite bargaining between government, unions and employers, in the light of changes in prices, wages and other economic conditions. Sometimes the minimum wage is the subject of automatic re-assessment - for example it may be increased in line with the consumer price index or economic growth or else it may be subject to discretionary increases - increased by legislation (see box summarising the different systems of national minimum wages in the European Union).



**Summary of statutory national minimum wages in the European Union**  
(Situation as on 30 April 1999)

	B	EL	E	F	L	NL	P	UK
Date of introduction in current form	1975	1991	1980	1970	1973	1969	1974	1999
Coverage	Private sector employees aged 21 or over	All employees aged 19 or over for non-manual workers 18 or over for manual workers	All employees aged 18 or over	All employees aged 18 or over	All employees aged 18 or over	All employees aged 23 or over	All employees aged 18 or over	All employees
Method of fixing	Negotiation by social partners	Annual negotiation by social partners	Set by government	Set by government	Set by government	Set by government	Set by government	Set by government based on recommendations from social partners
Method of updating	i. automatic indexation ii. periodic review	Annually according to government forecasts of inflation	Annually according to government forecasts of inflation	i. automatic indexation ii. annual review	i. automatic indexation ii. periodic review	Twice annually	Annually according to government forecasts of inflation	No decision taken on future updating
Type of rate	Monthly	Monthly for non-manual workers; daily for manual workers;	Monthly and daily	Hourly	Monthly	Weekly	Monthly	Hourly
Present level in national currency	BEF 43 343 per month	GRD 147 517 per month 6610 per day	ESP 69 270 per month <sup>(1)</sup> ESP 2 309 per day	FRF 40.22 per hour	LUF 46 878 per month	NLG 541.20 per week	PTE 61 300 per month <sup>(1)</sup>	GBP 3.60 per hour
In force since	1.10.97	1.01.99	1.01.99	1.07.98	1.01.99	1.01.99	1.01.99	1.04.99

<sup>(1)</sup> Paid 14 times a year.

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

When the national minimum wage is fixed at an hourly, daily or weekly rate, the following factors were used to calculate a monthly rate:

for France: 169 hours per month,

for Japan: 22 working days per month,

for United Kingdom and United States: 22 working days at 8 hours,

for the Netherlands: 4.33 weeks per month.

In addition, when the minimum wage is paid more than 12 months per year (as in the case of Spain and Portugal where it is paid 14 months a year) data in Figure 1 and Table 1 have been adjusted to take into account these payments.

A Eurostat report entitled "Minimum Wages, 1997, A comparative study", provides background information on basic levels of remuneration for employees in the European Union (and European Free trade association (EFTA) countries as well as in the United States, Canada and Japan. It outlines the legal framework for minimum wages, the ways in which they are set, their scope of application, the means of enforcing them and the development in their levels.

# Further information:

## ➤ Reference publications

Title Minimum Wages 1997 – A comparative study  
Catalogue No CA-12-98-627-EN-C Price EUR 7.50

## ➤ Databases

New Cronos  
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